

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Competitive Market Initiatives	)	
(Phase II)	)	D.T.E. 01-54

**INITIAL COMMENTS OF THE MASSACHUSETTS DIVISION OF ENERGY  
RESOURCES**

As previously stated in this proceeding, DOER applauds the distribution companies ("the companies") for their respective efforts to assist customers looking for electric generation from competitive suppliers.

In addition to those individual efforts, cooperation among the interested parties throughout Phase I of this proceeding has resulted in positive steps as well. For instance, DOER supports the provision of customer lists by each utility to competitive suppliers. Such lists allow competitive suppliers to conduct outreach in more focused, cost effective ways, reducing their acquisition costs for prospective customers. This is particularly important during these early stages of the industry's transition when the profit margins made by competitive suppliers have been considered very small.<sup>1</sup>

Having resolved many of the customer information issues in Phase I, the Department is addressing several remaining issues through a series of questions in Phase II of the proceeding ("the Department's Inquiry"). Primarily, the Inquiry addresses: 1) the

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<sup>1</sup> In order to attract customers, marketers sell energy supply at prices lower than what customers pay their utility. In the past, the size of the margin between wholesale power paid by suppliers and the Default and Standard Offer prices customers pay has been small. Some competitive suppliers have attributed inactivity in the state's electric competitive markets to the inability for them to derive sustainable profits.

role the companies should play in helping to stimulate markets (Section I.A.); 2) the type of customer information that should be made available to suppliers while protecting consumers from unauthorized enrollments (Sections I.B. and I.C.), and; 3) whether there are cost benefits to using the Internet for the transmission of electronic customer data (Section I.D.).

## I. PHASE II ISSUES

### **A. Distribution Companies as Electricity Brokers**

In Section I.A. of the inquiry, the Department asks if the companies should "perform the role of electricity brokers for default customers." DOER supports electric utilities playing an active role in facilitating customer migration to competitive markets. While DOER disagrees that such activities require utilities to be characterized as electricity brokers<sup>2</sup>, it supports the concept of utilities acting as a resource to customers seeking choices in competitive electric markets. It is logical that customers seeking to learn more about their choices will make their first attempts by contacting their respective utility.

Addressing the options in Section I.A. of the Department's Inquiry, DOER generally agrees that: 1) an Internet-based auction process or, 2) the use of utility-based

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<sup>2</sup> DOER takes issue with the Department's implication that a utility conducting these activities, by definition, is an electricity broker. Admittedly, the definition of a broker in The Restructuring Act (Chapter 164 of the Acts of 1997) is broad enough that some brokers have not been required to become licensed competitive suppliers and some of the activities queried in Section I.A. are clearly within the realm of a typical broker's business model. However, DOER believes that the Department stating utilities should "perform the role of electricity brokers" unintentionally creates the appearance that the utility is competing with other brokers and financially benefiting from that role. While DOER might consider it appropriate for

authorizations to switch customers are acceptable approaches to help stimulate market activity. However, DOER believes that each of those approaches raises concerns that would need to be addressed through appropriate design.

For instance, an auction process used to introduce customers to competition, with ample participation from both buyers and sellers, could be highly effective at stimulating competition. However, an affiliation between the providers of that service and the utility introducing such a program to customers can raise concerns about anti-competitive behavior. In addition, a process that assigns a buyer to a seller using blind bids can limit the free exchange of information and, consequently, restrict a customer from making an educated choice. More important, buyers may be unable to ascertain whether value has been maximized for themselves.

Addressing the Fitchburg Gas and Electric Company ("FG&E") auction proposal more specifically, several commenters have raised concerns DOER believes are pertinent. The Attorney General has raised concerns about affiliate issues and highlights the fact that Unitil has an interest in the company charging a fee for the service.<sup>3</sup> Arguably, brokers with similar services may have a legitimate claim that USource has an unfair advantage providing this service for FG&E. Dominion states that customer lists are adequate and make an auction process unnecessary.<sup>4</sup> While DOER believes some auction processes could augment the customer information lists, it is not clear how FG&E's role

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utilities to perform some of the functions of an electricity broker by assisting customers researching choices in limited ways, DOER does not support the concept of making the utility into an electricity broker.

in its program stimulates competition when the service has existed independent of FG&E's involvement. DOER has also previously stated its concern that the program only addresses larger customers.

Regarding utility-authorized switching, that approach may capitalize on customer interest at the moment lines of communication are opened between customers and utilities about energy choices. The approach also has clear benefits in that it significantly lowers customer acquisition costs for marketers. However, this raises new concerns about the responsibilities of utilities regarding customer protections against unauthorized switching. DOER believes all of the above issues should be addressed through a review of utility proposals.

Consequently, a distribution company's plans to incorporate such methods would need to provide more detail before receiving endorsement from DOER. In the absence of sufficient details, DOER expresses general support for the above referenced approaches in principle and expresses interest in providing further comment once the application of such an approach is described more fully through detailed proposals from each of the companies.

Regarding the third option, DOER does not support the assignment of default service customers to competitive suppliers at this time. DOER is aware of several

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<sup>3</sup> FG&E has proposed to use an auction process licensed from Enermetrix through USource, the company's affiliated energy brokerage business. The AG references the Enermetrix web site as evidence of Until's financial interest in the Enermetrix. AG Comments (6/14/01) pages 2 and 3.

<sup>4</sup> See Dominion Comments, 01-54, Phase I, page 2.

instances in other states where this approach has been applied with mixed results. In Georgia, where natural gas customers of Atlanta Gas Light were randomly moved en masse to various competitive companies, concerns of unauthorized switching and inadequate capabilities of suppliers were raised. In Pennsylvania, where twenty percent of electric customers in the PECO service territory were randomly sent to a winning bidder, issues of fairness in the bidding process and the need for adequate customer notification were raised. Upon review of that particular program, DOER believes the partial assignment applied in Pennsylvania had the result of moving some customers off of their utility service with little to no lasting impact on maturing competitive markets in that state. Although aggregating many buyers through an opt-out assignment process has clear cost savings for suppliers acquiring customers, benefiting one or two competitive suppliers does not in itself cause sustainable natural competition. DOER believes that the above concerns could be prevented with appropriate program design. However, the attention required to prevent such problems would only be warranted if competitive markets appeared to be a failure without assignment.

While DOER considers assignment to be among the potential options to stimulate competitive markets, DOER does not consider the electric markets to be experiencing inadequate switching at this time. The transition period to an open competitive market has been determined by the Legislature through the Act.<sup>5</sup> Given the schedule for transition, DOER believes the final three years (2002-2005) is adequate for a competitive

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<sup>5</sup> The transition period set by the Act ends in March 2005. During transition, Standard Offer rates increase on a set schedule to the end of the transition period. At the end of transition, the Act is silent about the policy for customers on the Standard Offer and Default Service that have still not chosen a competitive supplier. Ideally, at the end of the transition period the number of customers receiving utility energy supply

market to develop and mature with approaches less aggressive than assignment.

However, in the future, if it is determined that the current efforts have not achieved the desired results, DOER would recommend revisiting assignment as an option. As 2005 approaches, more aggressive methods for bringing people into competition may be appropriate.

In summary, DOER recommends that the Department direct the companies with plans for stimulating the competitive market for electricity to file such plans with the Department. DOER recommends the Department provide a review and comment period for proposed plans prior to implementation. DOER believes that each plan should achieve the following objectives: 1) address the utility's strategy for stimulating migration for each of the customer classes; 2) give equal treatment to all suppliers and brokers; 3) provide details of its plans for conducting outreach to each customer class; and, 4) provide a timeline for producing a report assessing the extent of its success.

## **B. Customer Enrollment**

### **1. Customer Account Numbers**

DOER believes that there are administrative considerations that would make the use of a unique customer identifier desirable to ensure the accurate and efficient enrollment and servicing of customers. The competitive suppliers state persuasively that the standard utility practice of periodically updating customer identifiers is problematic

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will be as close to zero as possible. However, DOER recognizes the need for a provider of last resort for people who do not choose a supplier or are not a desirable customer for a supplier.

for themselves and their customers. DOER believes that the use of either account numbers or some other unique customer identifier is therefore appropriate. DOER recognizes possible unauthorized customer enrollments but believes that the safeguards in place against “slamming” provide a sufficient deterrent to these practices.

## 2. Customer Account Name

DOER understands that the current practice of using the first four characters of a customer’s account name has posed significant operational problems for competitive suppliers and would like to see the practice changed to reflect the realities learned from the competitive suppliers experience to date. Marketers have repeatedly indicated to DOER that for commercial customers the use of a four-letter designation has caused operational problems. For example, customers like The Gap can be coded several ways, it can appear as "TheG," "TGap," "Gaps," etc. and these differing listings cause the supplier and the customer problems in enrollment. The different listings also cause problems during administrative cleanups that disrupt customer service. DOER believes these problems are much less frequent when dealing with residential customers, whose last name always has the same four-letter designation.

Therefore, absent the appearance of customer account numbers on the Customer Information Lists, which DOER believes addresses these operational problems for all customer classes, DOER supports discontinuing the first four letter designation for commercial accounts, but retaining this approach for residential customers.

## **C. Customer Information Lists**

### **1. Service Delivery Point Indicator**

DOER recommends that DTE include information specifying either primary or secondary service. This information will aid competitive market development by allowing suppliers to more accurately procure and price competitive supply offerings.

### **2. Customers on Competitive Supply**

DOER recommends that customers who receive competitive generation services should appear on the Customer Information Lists and be subject to the same "opt out" system for the release of customer information as default and standard offer customers. By choosing a competitive supplier, these customers have shown that they understand the energy procurement process and are therefore most likely to respond favorably to future electric supply products and offers. Their absence from a customer list denies them the same access to suppliers that other customers enjoy.

## **D. Other Issues**

### **1. EDI Over the Internet**

Regarding the use of the Internet for the provision of customer data between the companies and competitive suppliers, several competitive suppliers have stated that using the Internet as an alternative, or in addition to, the Value Added Network ("VAN") currently being used would cost less and be more efficient.



DOER has been actively involved in the Electronic Business Transaction ("EBT") Working Group, in part, to ensure that barriers to competitive markets be removed wherever appropriate. Toward that end, DOER has recently encouraged the EBT Working Group to address this specific issue. As a result, an "EDI Over the Internet" Sub-Committee has been formed at the EBT Working Group. That Sub-Committee is expected to issue a proposal to the Working Group in the very near future. Consequently, DOER believes that the EBT Working Group is the most appropriate place for this issue to progress.

In the event that the Department is not satisfied with the results of its inquiry, relative to this issue, DOER recommends that the Department direct the Working Group to answer the questions posed in Section I.D.1. of the Inquiry and direct the Working Group to submit a report that provides specific comments and recommendations regarding this issue. The report could also describe in detail any issues that could not be resolved by the Working Group. In the interest of moving that process forward in a timely manner, DOER recommends that the Department establish a procedural schedule for the submission of this report.